



206 South Fifth St.  
Hartsville, SC 29550

October 22, 2014

Mr. Barry F. Mardock  
Deputy Director, Office of Regulatory Policy  
Farm Credit Administration  
1501 Farm Credit Drive  
McLean, VA 22102-5090

Re: Eligible Investments for Farm Credit System Associations and Funding Banks

Dear Mr. Mardock:

Our bank is concerned about the Farm Credit Administration's (FCA) regulatory proposal to "modernize" investment purposes for Farm Credit System (FCS) entities. I am concerned this proposal, combined with your recent "guidance memorandum" on investments and pilot projects, is confusing and backwards. FCA should withdraw the guidance memo until after this regulation is finalized. The guidance memo coupled with this regulation appear aimed at allowing FCA to approve virtually any type of investment.

FCS entities are GSEs and should focus on loans, not investments. Strict limitations are needed on FCS lenders' investments. I am concerned FCA is establishing an approval methodology that allows FCS lenders to label as investments what are in effect loans. Please explain how FCA determines the difference between a bond and a loan in terms of eligible investments. Please provide a list of eligible investments.

Will you approve non-farm business loans if they are issued as bonds? Will you approve all of the extensions of credit made under the various pilot projects, which are supposedly being withdrawn? Would FCA approve investments in commercial buildings, commercial real estate, shopping malls, movie theatres, apartment complexes, and manufacturers if an FCS lender adequately filled out your September guidance memo and appropriate documents? Is any type of loan eligible if it is considered an investment? How does FCA determine what financing activity meets the definition of an investment under the "other investments" category?

If FCA does intend to approve these types of "investments" then you did not listen to the thousands of letters from bankers opposing your 2008 proposed rule. The rule states "no investment is ineligible if approved by FCA." Congress did not grant you an "anything goes" approval authority in the law that supersedes the Act's lending authorities.

All illegal investments now in FCS portfolios should be divested within six months. Investment portfolios should not exceed 10 percent of loan volumes, even if such volumes decline. Please withdraw the guidance memo and this proposal and reissue this proposal for comment after answering the questions raised above. FCA should not approve investments that exceed to cope of the Act's lending parameters.

Sincerely,

A handwritten signature in blue ink, appearing to read 'James E. Roberts, II', is written over a circular blue ink stamp.

James E. Roberts, II  
Senior Vice President  
Chief Financial Officer